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Do you use real estate appraisals? Then learn about USPAP

Yes, USPAP is one of those governmental acronyms that sound like gobbledygook. However, you will need to understand its meaning and ramifications if you are an attorney, real estate broker, developer, management agent, lender, planner, public official, tax assessor, or in a similar role in the field of real estate. In other words, if you have used, or will use, a real estate appraisal, then you need to become aware of the laws, rules and practices of real estate appraisal regulation.



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The real estate appraisal regulatory process addresses the issues to be considered by users of real estate appraisal services. When is a USPAP-compliant appraisal required? What should such an appraisal include? Who should you hire to perform the appraisal? Can you request an appraisal that answers the questions you need answered, while conforming to

USPAP? What is the effect of a violation of the USPAP standards on your business or practice?

Before those issues can be addressed, the reader will need to become acquainted with the basics of real estate appraisal regulation. Let's begin with USPAP's background and the structure of real estate appraisal regulation.

Those of us who were around then will remember the "S&L Crisis" of the late 1980's. USPAP, officially known as the Uniform Standards of Professional Appraisal Practice, was the government's response to the role that real estate appraisals had in that "crisis". Title XI of Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) mandates criteria for real estate appraisals used in "federally related transactions". As a result of FIRREA, the Appraisal Foundation was created to act as an independent coordinator of real estate appraisal regulatory issues between the federal government, state regulatory boards and the trade organizations representing

practitioners. Congress established the Appraisal Standards Board (ASB), to "develop, interpret and amend USPAP" and a companion board, the Appraiser Qualifications Board (AQB) to develop voluntary appraiser qualification standards, which the state boards may adopt with their own modifications. Both the ASB and AQB receive administrative support from the Appraisal Foundation.

An Appraisal Subcommittee was established under the Federal Financial Institutions Examination Council to work with the Appraisal Foundation to establish real estate appraiser oversight boards in each state, in accordance with FIRREA. In New Jersey, real estate appraisers are regulated by the New Jersey Board of Real Estate Appraisers, under the Division of Consumer Affairs, in the Department of Law and Public Safety. In Pennsylvania, Real Estate Appraisers are regulated by the Pennsylvania State Board of Certified Real Estate Appraisers.

Revised annually, the

2006 Edition of USPAP will contain, as did most of its predecessors, Standards Rules, Statements on Appraisal Standards and Advisory Opinions. The Rules are binding, the Statements are for "...clarification, interpretation, explanation or elaboration of USPAP...with the full weight of a Standards Rule" and Opinions are advisory. Standard Rules 1, 2 and 3 respectively address the development, reporting, and review of a real estate appraisal.

In a future article I will discuss what you should look for in a real estate appraisal and provide you with information to make certain that the appraisals that you use are compliant with USPAP standards.

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